

**LEGISLATIVE SERVICES AGENCY
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FISCAL IMPACT STATEMENT

LS 7233

BILL NUMBER: SB 520

NOTE PREPARED: Jan 7, 2005

BILL AMENDED:

SUBJECT: Office of Inspector General.

FIRST AUTHOR: Sen. Drozda

BILL STATUS: As Introduced

FIRST SPONSOR:

FUNDS AFFECTED: X GENERAL
X DEDICATED
FEDERAL

IMPACT: State

Summary of Legislation: The bill creates the Office of Inspector General to investigate various activities of the Office of the Secretary of Family and Social Services, the Department of Administration, the Department of Correction, the Department of Workforce Development, and the Bureau of Motor Vehicles. The bill also creates a nominating committee to make recommendations to the Governor on the appointment of the Inspector General.

Effective Date: July 1, 2005.

Explanation of State Expenditures: *Summary* - The bill would potentially increase administrative expenses by establishing an Office of the Inspector General. The increase of expense would depend on administrative actions, but could range from \$626,300 to \$1,407,600 to establish the Office of the Inspector General. To the extent that the Office of the Inspector General detects misappropriation or misuse of public funds and is able to recover the funds under one of the methods available in the bill, savings would occur.

Estimation Details: Under the bill, the Office of Inspector General would perform investigations to determine if wrongful acts and omissions have been committed within the listed agencies. Information from other states' offices of inspector general and the Indiana State Board of Accounts indicates that an inspector general's office may typically employ between 9 and 21 employees. Although the organizational structure and salary costs will be established by the Inspector General, estimates based on the office structure in other states result in salary and benefits costs between \$520,000 and \$1,200,000.

In addition to personnel costs, the new Office of Inspector General may require between \$82,000 and \$151,000

for general office supplies, training and travel, and computers including a server, network, and laptops. Other costs may include investigative equipment, such as recorders and televisions. If the Office is unable to obtain space in the existing government office building facilities, the Inspector General may have to lease office space at an estimated cost of \$24,300 or \$56,600, depending on the number of employees.

The funds and resources required above could be supplied through a variety of sources, including the following: (1) existing staff and resources not currently being used to capacity; (2) existing staff and resources currently being used in another program; (3) authorized, but vacant, staff positions, including those positions that would need to be reclassified; (4) funds that, otherwise, would be reverted; or (5) new appropriations. Ultimately, the source of funds and resources required to satisfy the requirements of this bill will depend upon legislative and administrative actions.

The Governor will appoint the Inspector General from among the names submitted by a nominating committee which consists of three members appointed by the Governor and four members appointed by the General Assembly. Each member of the committee is entitled to receive a salary per diem and reimbursement for traveling expenses and other expenses actually incurred in connection with the member's duties. The expenses of the committee will be paid from appropriations made to the Office of Inspector General.

Background Information: Financial and compliance audits of state agencies are performed by 18 auditors in the State Board of Accounts, and individual agencies have internal audit staff.

Other States: Eleven states have inspectors general with authority investigating all functions of state government, as proposed under the bill. [Note: About five additional states have inspectors general assigned to a specific department of the state.] Seven of the 11 offices were established by executive order and seven were established within the past decade. The following table summarizes available information about the other offices.

State	Year Established	Authorized by	Other
California	1994	Legislation	
Florida	1994		Developing inspector general best practices.
Georgia	2003	Executive Order	FY2004 appropriation - \$1.4M and 10 positions.
Illinois	2003	Executive Order	FY2004 appropriation - \$4.1M; FY2005 appropriation - \$5.7M.
Louisiana	1988	Executive Order	Staffing: 11 auditor, 1 clerical staff, 1 attorney.
Massachusetts	1981	Legislation	Mission: To prevent fraud, waste and abuse.
New Jersey	2004	Executive Order	Projected \$3M operating budget and 12 positions.
New York	1996		

State	Year Established	Authorized by	Other
Ohio	1988	Executive Order (statute in 1990)	Joint Legislative Ethics Committee's staff is known as the Legislative Inspector General. FY2004 and FY2005 appropriation - \$912,000 and 7 employees.
Pennsylvania			FY2004-05 appropriation - \$3.4M.
Virginia	2004	Executive Order	FY2004-06 appropriation - \$205,658 and 2 positions

Explanation of State Revenues:

Explanation of Local Expenditures:

Explanation of Local Revenues:

State Agencies Affected: Governor; State Budget Agency; Family and Social Services Administration; Department of Administration; the Department of Correction; the Department of Workforce Development; the Bureau of Motor Vehicles.

Local Agencies Affected:

Information Sources: Charles Johnson III, State Examiner, Indiana State Board of Accounts, 317-232-2524; State of Louisiana Office of the Inspector General, <http://www.state.la.us/oig/inspector.htm>; State of Ohio Office of the Inspector General, 614-644-9110 and <http://www.state.oh.us/watchdog/>; Deborah L. Steiner, First Deputy Inspector General, State of Illinois Office of the Executive Inspector General, 312-814-5600 and <http://inspectorgeneral.il.gov/>.

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